

Attachment H

Physician Oncology: 2002-2005 Income Statements By Source of Revenue

Exhibit 2

Physician Oncology, LTD

2002-2005 Income Statements, Accrual Method
By Source of Revenue (Drug Revenue versus Procedure Revenue)

		2002	2003	2004	2005
		[a]	[b]	[c]	[d]
[1]	Drug Revenue				
	Amount Paid by Third-Party Payors for Drugs	\$911,685	\$867,086	\$1,178,330	\$2,242,267
	Amount Due from Patients for Drugs less Medigap payments	\$189,673	\$16,697	\$112,944	\$59,428
[2]	<u>Patient Obligation 'Write-Offs' of Drug Revenue</u>	<u>(\$189,673)</u>	<u>(\$16,697)</u>	<u>(\$112,944)</u>	<u>(\$59,428)</u>
	Total Net Revenue from Drugs	\$911,685	\$867,086	\$1,178,330	\$2,242,267
	OTN Drug Purchases	\$730,014	\$842,302	\$989,301	\$1,947,768
	<u>Rebates and Discounts</u>	<u>(\$12,681)</u>	<u>(\$2,819)</u>	<u>(\$20,204)</u>	<u>(\$111,571)</u>
	Total Net Drug-Related Costs	\$717,334	\$839,482	\$969,096	\$1,836,197
	<u>Operating Profit from Drugs</u>	<u>\$194,351</u>	<u>\$27,604</u>	<u>\$209,234</u>	<u>\$406,070</u>
	Operating Margin from Drugs	21.3%	3.2%	17.8%	18.1%
[3]	Service-Related, Oncology Demonstration Project, and Other Revenue				
	Amount Paid by Third-Party Payors for Services	\$276,974	\$218,092	\$438,885	\$442,000
	Amount Due from Patients for Services less Medigap payments	\$35,441	\$29,903	\$73,689	\$62,300
	Other Amounts Due from Patients less Medigap payments	\$2,578	\$6,965	\$2,130	\$651
	Amount Due from Patients for Demonstration Project less Medigap payments	\$0	\$0	\$0	\$1,171
	Amount Paid by Medicare for Demonstration Project	\$0	\$0	\$0	\$18,231
	Other Amounts Paid by Third-Party Payors	\$54,622	\$56,318	\$49,883	\$34,208
[4]	<u>Patient Obligation 'Write-Offs' of Service-Related, Demonstration Project, and Other Revenue</u>	<u>(\$26,210)</u>	<u>(\$19,773)</u>	<u>(\$62,663)</u>	<u>(\$42,756)</u>
	Total Net Service-Related, Oncology Demonstration Project, and Other Revenue	\$343,406	\$291,505	\$501,924	\$515,805
	Expenses				
[5]	Medical Supplies	\$24,517	\$20,424	\$20,674	\$25,973
	Office Supplies	\$12,718	\$11,739	\$7,309	\$16,093
	Payroll and Payroll Taxes excluding physician's salary	\$164,975	\$148,574	\$136,246	\$233,976
	Employee Health Insurance	\$7,296	\$2,153	\$12,149	\$30,533
	Rent	\$38,354	\$58,425	\$76,073	\$68,588
[6]	<u>Other</u>	<u>\$90,732</u>	<u>\$111,103</u>	<u>\$135,315</u>	<u>\$130,286</u>
	Total Service-Related and Other Expenses	\$338,591	\$352,417	\$387,766	\$505,449
	<u>Operating Profit from Service-Related, Demonstration Project, and Other Revenue</u>	<u>\$4,815</u>	<u>(\$60,911)</u>	<u>\$114,158</u>	<u>\$10,356</u>
	Operating Margin from Service-Related, Demonstration Project, and Other Revenue	1.4%	-20.9%	22.7%	2.0%
	<u>Net Income (Including Physician's Salary)</u>	<u>\$199,166</u>	<u>(\$33,307)</u>	<u>\$323,392</u>	<u>\$416,426</u>
	Total Operating Margin	15.9%	-2.9%	19.2%	15.1%
[1]	EOB revenue from HCPCS J-Codes, Q0136, S5000, S5001, and S0023				
[2]	Amounts due from patients for Drugs less allocated amounts paid by patients and Medigap plans				
[3]	EOB revenue from Service-Related, Oncology Demonstration Project, and Other billing codes				
[4]	Amounts due from patients for Service-Related, Oncology Demonstration Project, and Other billing codes less allocated amounts paid by patients and Medigap plans				
[5] [a]	Medical Supply expenses as recorded on Dr. Linda Haegle's QuickBooks accounts				
[5] [b-d]	Medical Supply expenses paid to specifically identified suppliers other than OTN as recorded on Dr. Linda Haegle's QuickBooks accounts plus OTN purchases of medical supplies				
[6]	Expenses categorized as advertising and promotion, amortization, automobile, bank fees, charity, depreciation, dues and licenses, entertainment, equipment rentals, gifts, malpractice insurance, group and liability insurance, interest, legal, meetings and education, miscellaneous, outside services, patient relations, payroll service fees, postage, professional fees, refunds, repairs and maintenance, subscriptions and books, other taxes, telephone, travel, uniforms, utilities, and waste removal expenses per QuickBooks accounts				
[d]	Annualized based on data from the first three quarters of 2005				

Source: Analysis of information derived from the Explanation of Benefits received by Dr. Linda Haegle's office, OTN sales data and Quickbooks data.

Defendants' Exhibit

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